Ashmore

EMERGING MARKETS EQUITY | H2 2026 OUTLOOK

A broadening opportunity set

31 July 2026

- Emerging Markets (EM) outperformance has accelerated in 2026. Driven by earnings growth, the asset class returned **23.9% to 30 June, more than double the S&P 500**, and the outlook remains compelling: the asset class continues to offer access to resilient, high-quality businesses, underpinned by secular and sustained growth drivers. EM earnings are expected to grow strongly (~60%, 12-month forward), yet valuations remain undemanding. The index currently trades at **~9.7x forward price to earnings**, more than 1.3 standard deviations below its long-run average. The opportunity is magnified when compared to the S&P 500 (a 50% discount), where the valuation gap is the widest in more than two decades.

- To date, earnings growth and returns have been concentrated in North Asia's technology complex. This segment remains critical to the opportunity set, and we believe the fundamental drivers of earnings growth remain intact. However, managing valuations and the embedded cyclicality of these industries has become a critical feature of active management. A global semiconductor shortage is expected to persist as demand for compute accelerates and supply remains constrained; EM companies are the key beneficiaries. Businesses that operate in entrenched ecosystems can retain significant pricing power and compound earnings over the medium term. Investors should nevertheless be mindful of episodes where price action gets ahead of fundamentals: early this year, for example, we took profits and moved to an underweight in Information Technology. In our opinion the medium-term outlook remains strong, and any market dislocation should provide selective buying opportunities.

- Beyond technology, the investment opportunity is broadening out:
  - **India:** recent revisions to the Goods and Services Tax regime and labour code should support economic expansion. After the market's falls in 2025, there are more attractive entry points in the private banking, online insurance and travel industries.
  - **China:** weak economic data in Q2 has the potential to drive greater government policy action, as seen in the infrastructure investment programme announced in recent months. We hold diversified exposure to underpriced internet platforms, a high-quality biopharmaceutical company, a dominant recruitment business, a fast-growing relay manufacturer and the world's leading battery producer. An improvement in leading indicators could support a broader call for capital.
  - **Latin America:** strong demand for the commodities central to AI, electrification and global defence capex plans is positive for the region, amidst a return to more orthodox monetary and fiscal policies in key markets.
  - **Elsewhere:** portfolio holdings are well diversified and broad-based, including e-commerce in Poland, fintech in Kazakhstan, healthcare in Thailand, and consumption in South Africa and Vietnam.

- In Developed Markets (DM), investors often pay a substantial premium for companies with resilient balance sheets and strong cash generation. Across EM, we find these attributes in businesses exposed to structural and domestic growth, but whose valuations often remain below the elevated levels of similar companies operating in developed economies.

> *The opportunity is not simply cheap EM beta; it is the ability to buy sustained quality at a discount.*

- The primary risks revolve around a persistent US interest rate hiking cycle or a sustained escalation in Iran; we currently ascribe a low probability to both. Consequently, in our opinion the risk-reward is firmly in EM's favour, which we anticipate will lead to a meaningful rotation of investor flows to EM's advantage.

Strategy attributes

+3.9% p.a.	Top decile	0.7	0.7
Excess return vs MSCI EM since inception	Peer-group ranking since inception	Information ratio since inception	Batting average since inception

Inception: November 2017. Data to 30 June 2026. Source: Ashmore, MSCI. Past performance is not a reliable indicator of future results.

The strategy invests in companies which can compound their earnings power over the long term. Such companies display sustained quality and diversified growth attributes that are mispriced. Top-down assessment plays an explicit risk-overlay and idea-generation role.

By balancing the construction and management of a high-conviction, all-cap portfolio with managed risk controls, the strategy has sustained alpha across a range of style cycles.